

Senate Economic Development and International Investment Committee Meeting

October 15, 2015, 1:30PM

Farnum Building (Room 210), 125 W. Allegan Street, Lansing, MI 48933

SB 556 - PA 210 Testimony

Good afternoon. Thank you Chairman Horn and Committee Members for this opportunity to speak in support of SB 556. My name is Malinda Jensen and I am representing the Detroit Economic Growth Corporation, a quasi non-profit organization created in 1978 to primarily lead the economic development activities on behalf of the City of Detroit.

As is typical with major cities in the country, the cost of doing business in Detroit is higher than most communities in the State. Recognizing this challenging environment, for more than 30 years the DEGC has worked with the City and various public economic development agencies that are staffed by the DEGC to attract and retain business and jobs to the City by using economic development tools such as the granting of tax incentives, tax increment financing, low-interest loans and transfer of publicly-owned land for below market-rate value to help make Detroit more competitive with national competitors.

Although in recent years the City has experienced a heightened interest from investors, it is the DEGC's experience that in order to attract long-term investment that will have a sustainable positive impact on the City's economy through job creation and revitalized neighborhoods, public support through economic development tools such as PA 210 – Commercial Rehabilitation Act is necessary to close the gap.

PA 210 provides property tax relief for the rehabilitation of commercial property—whether improved or vacant-- for the primary purpose and use of a commercial activity. Typical eligible uses include mixed use development projects, multi-family residential, office and retail. Since 2010, the City has issued eight (8) PA 210 certificates representing an estimated \$66 M in investment. So far in 2015, the City has approved ten (10) PA 210 certificates representing \$ 120 M in investment. And based on our current pipeline of applications, we project the approval of an additional seven (7) PA 210 proposals representing an estimated \$250 M in investment. These remaining seven (7) proposals showcase the uniqueness of the PA 210 Commercial Rehabilitation tool. These projects represent transformational developments on property that has been vacant for many years or the adaptive reuse of functionally obsolete structures into modern office buildings for national tenants or into multi-family residential projects to satisfy the pinned up demand of people who desire urban living.

The PA 210 legislation requires that each project satisfy the "but-for" requirement as outlined in the statute. The DEGC on behalf of the city of Detroit manages the underwriting review process and works closely with the Mayor's Office and Detroit City Council to ensure that the benefits of a project to the City and the community outweigh the costs. Also with the PA 210, Wayne County must consent to the PA 210 request as part of the statutory approval process. PA 210 is a local tool and the local taxing jurisdictions make an affirmative decision to invest in the project by abating the taxes on the

improvement value only for a term up to 10 years. Once the term expires, the property is assessed at full ad valorem millage rates. Even during the abatement term, revenue is generated.

The benefit of PA 210 is that it lowers the operating cost for the development project which increases the net operating income that is available to service debt. I have an example of a project, Woodward Willis development which held its grand opening last night in Detroit. (Circulate project profile to Senate Committee Members)

Projects that are awarded a PA 210 abatement lead to several benefits that are immediately realized in the community such as the total number of permanent direct and indirect jobs to be created, the taxes generated on the salaries to be paid to direct and indirect workers, the increased market value the real and personal property taxes generated on the project over time, the removal of blighted structures and the revitalization of vacant property into new development projects citywide.

It is critically important that Detroit remain an environment of being business friendly to support the overall objective of growing the economy in our state. And local communities must continue to play an active role in charting their economic futures.